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Agricultural Situation

Weekly Highlights & Hot Bites, #1 2004

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Report Highlights:

Special Additional Duty abolished, *Deals signed to export 450,000 cotton bales*, *Honey exporters plan to target Europe, Brazil, and United States*, *SAARC signs up for free trade*, *Spices and Seafood exporters unfazed by US Bioterrorism Act*, *Seafood exporters launch drive to fight US anti-dumping suit*, *APEDA to cash in on mad cow disease fallout*, *Malaysia buys Indian corn amid Chinese absence*.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

SPECIAL ADDITIONAL DUTY ABOLISHED

In a wide-ranging fiscal policy change, announced on January 8, 2004, the government reduced peak tariffs on most non-agricultural products to 20 percent from the earlier 25 percent, and abolished the Special Additional Duty (SAD) of 4 percent levied on all products (including agriculture).

(see www.cbec.gov.in/cae/customs/cs-notfns-main.htm for official notifications)

Post Comment: Although the GOI continues to maintain high tariffs (mostly 30 percent) on agricultural products, the elimination of the 4 percent SAD should benefit US agricultural exports to India.

DEALS SIGNED TO EXPORT 450,000 COTTON BALES

Cotton traders have signed contracts to export at least 450,000 bales (170 kg each). Pakistani spinners have signed for a larger share of these exports amounting to 100,000 bales, due to an expected shortfall in Pakistan's current cotton crop. According to trade sources, an estimated 50,000 tons would be shipped to Bangladesh and another 300,000 tons will head towards Southeast Asia and the Far East. Trade sources said that the Far East and Southeast Asia are looking at Indian cotton in view of competitive prices and lower freight charges. Trade sources report that markets currently prefer Indian cotton, as US cotton is suffering from stickiness due to a honeydew problem. (Source: Business Line 12/29/03)

HONEY EXPORTERS PLAN TO TARGET EUROPE, BRAZIL, AND UNITED STATES

With increasing awareness, the recent rejection of Chinese honey in the European market, and better price realization, the Agricultural and Processed Foods Exports Development Authority (APEDA), plans to encourage production of organic honey to target European Union, Brazilian, and US markets. The export demand for Indian honey over the last six years has grown from 100 tons during 1997 to about 10,000 tons in 2003. To meet the surging demand, APEDA plans to take up training and awareness programs in organic production of honey. (Source: Financial Express 1/5/04)

SAARC SIGNS UP FOR FREE TRADE

The South Asian Association of Regional Cooperation (SAARC) countries (India, Bangladesh, Pakistan, Sri Lanka, Nepal, Bhutan, and the Maldives) signed a landmark treaty that will allow free trade among member countries by eliminating trade barriers and bringing down tariffs to 0 to 5 percent in the next 7 to 10 years. The agreement calls for the "more" developed members to bring down tariffs to 20 percent from the existing levels in the next two years, and to 0 to 5 percent in the subsequent five years. For least developed countries, the tariffs would have to be brought down to 30 percent within two years and further reduced to 0 to 5 percent in subsequent eight years. The SAARC countries will have to accord national treatment to each other's products and also undertake additional measures,

including harmonization of standards, reciprocal recognition of tests and accreditation of testing laboratories, and certification of products to facilitate trade. (Source: Business Line, 01/07/04)

SPICES AND SEAFOOD EXPORTERS UNFAZED BY US BIOTERRORISM ACT

The Seafood Exporters' Association of India (SEAI) reported that most of its members have completed the registration process under the US Bioterrorism Act in a timely manner and are comfortable with the Act. "Eighty six SEAI-registered exporters have completed the registrations before the deadline. Some others have registered through their agents in the US. Since the Marine Products Export Development Authority has given necessary financial assistance, the registration was a smooth affair," an SEAI official said. Most Indian spice exporters have also completed the registration process. According to Mr. Jojan Malayil, President, Indian Spices Trade Association, "it was a smooth and simple affair. And we don't foresee any hassles from the Bioterrorism Act. Almost all the leading spices exporters have completed the registration process." (Source: Financial Express, 12/29/03)

Post Comment: India's leading exports to the United States are seafood and spices. Post has been actively involved with the Bioterrorism outreach activities.

SEAFOOD EXPORTERS LAUNCH DRIVE TO FIGHT US ANTI-DUMPING SUIT

To counter US industry claims that India is exporting shrimps to the US at below the cost of production prices, and at rates lower than what India exports to Japanese markets, the Seafood Association of India has begun a data collection drive to provide the true cost of production and export prices. The exporters will file their reply after January 20 when the US International Trade Commission decides whether the petition filed by the Southern Shrimp Alliance of the United States reflects a sufficient and qualified representation of the domestic US producers' complaints. (Source: Business Line, 01/07/04)

APEDA TO CASH IN ON MAD COW DISEASE FALLOUT

According to a top government official, the Agricultural and Processed Food Products Export Development Authority (APEDA), along with the meat industry, is planning to take advantage of the current situation in the global meat market. News reports quote him mentioning that the Indian meat products are highly competitive in the global market and are liked, since they are lean. The official also mentioned that Commonwealth of Independent States countries have recently shown keen interest in sourcing meat from India. The news reports mention that India's meat exports to some Southeast Asian countries suffered a setback this year, due to an embargo following reported incidences of FMD in the country. The APEDA official also mentioned that they would provide customers an assurance that the supplies are from FMD-free zones when such issues are raised. (Source: Business Line 1/5/04)

MALAYSIA BUYS INDIAN CORN AMID CHINESE ABSENCE

Malaysia, southeast Asia's biggest corn buyer, has snapped up import deals for Indian corn for the first time in many years, as uncertainty over China's export policy forces Asian buyers to scramble for alternatives. Regional grain traders said Malaysia had sealed contracts to buy 75,000 tons of Indian corn at \$130 to \$135 per metric ton (FOB), most of which is expected to reach Malaysia in January. Grain traders in India confirmed the sales, and added that India has a potential to export 500,000 tons of corn this year. Some Indian corn was also sold to Indonesia and the Middle East. According to trade sources, some buyers preferred Indian supplies to those from the United States, as India has the ability to ship in small quantities. (Source: Economic Times, 01/08/04)

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